

2007
Annual Financial Report

North Carolina Central University



BRITE

Unleashing the Power of Biotech at NCCU

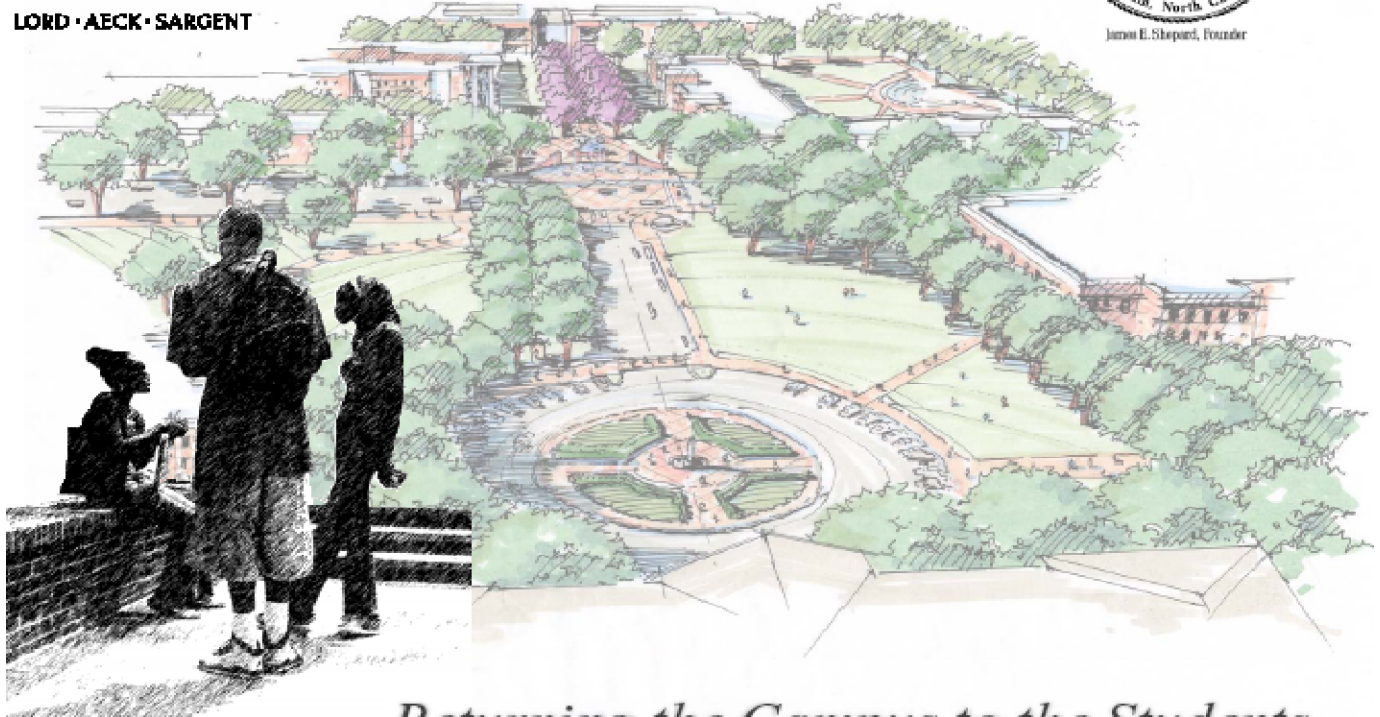
BIOMANUFACTURING RESEARCH INSTITUTE AND TECHNOLOGY ENTERPRISE

North Carolina Central University 2007 Campus Master Plan Update



James H. Shepard, Founder

LORD • AECK • SARGENT



Returning the Campus to the Students

AFT COPY: JANUARY 11, 2008

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MISSION STATEMENT:

The Mission of Facilities Management Department is to effectively and efficiently provide services that support the faculty, staff, and students in pursuit of excellence in their individual and institutional, academic, research, and community objectives. The goals of the department are directed at facilitating a proper environment to meet the current and future needs of the university as set forth in the University's Strategic Plan. To this end, the department will strive to cooperate fully with all campus constituents to provide a functional and efficient facilities operation for the university. The Facilities Management is a department under Financial Affairs Division.

NORTH CAROLINA CENTRAL UNIVERSITY

2006-2007 FINANCIAL REPORT

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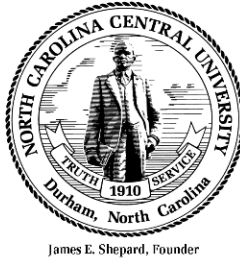
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NORTH CAROLINA CENTRAL UNIVERSITY MANAGEMENT'S DISCUSSION and ANALYSIS

Management's Discussion and Analysis is intended to give the reader an overview of factors that have affected operations and may affect operations in the future. The University is required by the Governmental Accounting Standards Board's (GASB) to present three basic financial statements. Those statements are the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These statements provide both long-term and short-term financial information for North Carolina Central University.

BRIEF INSTITUTIONAL HIGHLIGHTS

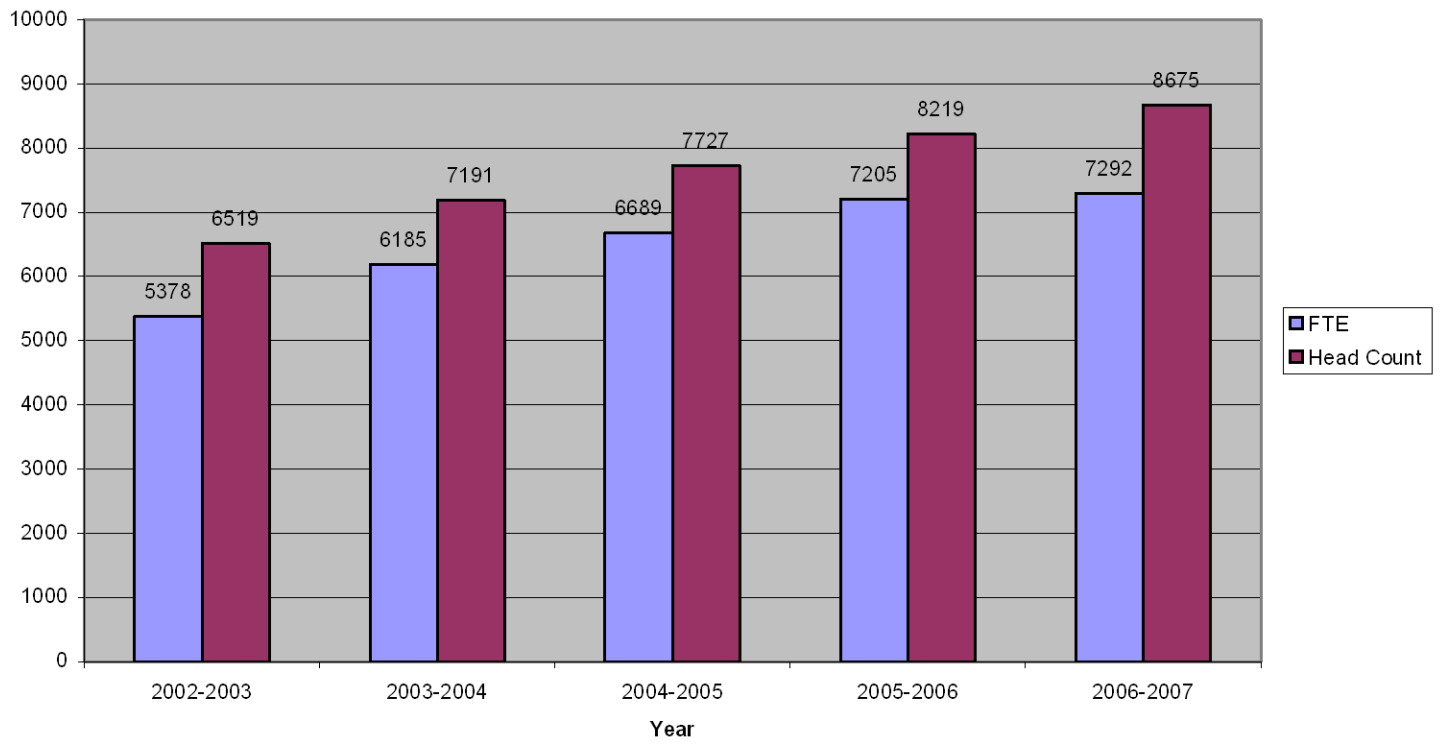
The 2006-2007 academic year was a good year for the Division of Academic Affairs. Black Enterprise magazine named the University as one of the "Top 50 Colleges" for African Americans in the nation. NCCU was ranked number 30. The students of the NCCU Law School passed the State Bar Examination at a rate of 86%; the highest of any other historically black school in the county. Lastly, the School of Business was accredited by Assembly of American Colleges and Schools of Business International, the highest accrediting agency for a Business School.

Adjusted state appropriations were \$74.5 million for fiscal year 2007, which is a 20% increase over fiscal year 2006. The total University budget, including receipts, for fiscal year 2007 was \$107 million as compared to \$94 million in 2006, a 13% increase.

By the end of fiscal year 2007, the University's sponsored research and other grant awards were \$61 million, which is a 10% decrease from fiscal year 2006. The decrease is due to reporting awards on an annual basis rather than a grant term. The Office of Institutional Advancement made strides in several areas for 2006-2007 such as the annual fund, the faculty and staff leadership breakfast, major gifts, and planned giving, which generated \$6.7 million in total fundraising.

Student enrollment increased 5% in fall 2006, totaling 8,675 in comparison to the 8,219 students enrolled in fall 2005. The University continues to strive to recruit talented students. In the fall of 2006, the University enrolled five National Achievement Scholars, five National Achievement finalists, and eight semifinalists.

FTE and Head Count from 2002 to 2007



FINANCIAL HIGHLIGHTS

North Carolina Central University Condensed Statement of Net Assets

Assets	2007	2006
Current Assets	\$ 34,927,676	\$ 37,699,043
Capital Assets, Net	199,546,554	178,084,191
Other Assets	<u>26,970,809</u>	<u>45,661,805</u>
Total Assets	281,130,315	261,445,039
Liabilities		
Current Liabilities	34,907,522	31,596,479
Noncurrent Liabilities	<u>16,246,874</u>	<u>17,037,562</u>
Total Liabilities	51,154,396	48,634,041
Net Assets		
Invested in Capital Assets, Net		
Of Related Debt	169,233,738	146,984,066
Restricted - Expendable	35,262,157	32,970,815
Restricted - Nonexpendable	10,535,606	10,583,933
Unrestricted	<u>14,944,418</u>	<u>22,272,184</u>
Total Net Assets	<u>\$ 229,975,919</u>	<u>212,810,998</u>

The Statement of Net Assets reports all assets and liabilities of the University; additionally, the Statement classifies those assets and liabilities as current and noncurrent depending on the availability of the assets or satisfaction of the obligation within 12 months (current) or longer. This Statement also reports the net assets, which is the difference between the total assets and total liabilities. The reader may use the net assets to gauge the financial position of the University as of June 30, 2007.

As of June 30, 2007, the University's total assets were \$281.1 million as compared to \$261.4 million in the prior year, an increase of \$19.7 million. This increase is attributable to Construction in Progress.

The University's liabilities totaled \$51.1 million in 2007 and \$48.6 million in 2006 with the debt service on housing and stadium bonds comprising \$29.8 million (current and non-current portions).

The total current liability of \$34.9 million is covered 1.00 times by current assets of \$34.9 million, which indicates the University's ability to pay current liabilities as they become due. Total net assets are \$229 million, which is an increase of \$17 million from the prior year.

North Carolina Central University
Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets

	<u>2007</u>	<u>2006</u>
Operating Revenues		
Student Tuition and Fees	\$ 28,645,280	\$ 25,060,122
Contracts and Grants	18,247,083	19,554,733
Sales and Services, Net	14,916,432	17,159,594
Other Operating Revenues	<u>2,143,539</u>	<u>1,359,426</u>
 Total Operating Revenues	 63,952,334	 63,133,875
 Operating Expenses	 157,961,722	 147,336,770
 Operating Loss	 (94,009,388)	 (84,202,895)
 Nonoperating Revenues and Expenses		
State Appropriations	74,595,799	62,010,445
Noncapital Grants	8,864,680	10,922,073
Noncapital Gifts	37,878	42,560
Investment Income, Net	4,460,939	1,862,936
Other Nonoperating Expenses	(217,889)	(1,976,169)
 Loss before Other Revenues	 <u>(6,267,981)</u>	 <u>(11,341,050)</u>
 Capital Appropriations	 7,433,943	 2,555,300
Capital Grants	15,957,059	22,544,780
Capital Gifts	<u>41,900</u>	<u>116,400</u>
 Total Other Revenues	 <u>23,432,902</u>	 <u>25,216,480</u>
 Increase in Net Assets	 <u>17,164,921</u>	 <u>13,875,430</u>
 Net Assets- Beginning of Year	 <u>212,810,998</u>	 <u>198,935,568</u>
 Net Assets - End of Year	 <u>\$ 229,975,919</u>	 <u>\$ 212,810,998</u>

The Statement of Revenues, Expenses, and Changes in Net Assets reports the revenues earned and expenses incurred during the fiscal year. The increase or decrease of revenues over expenses directly affects (increases/decreases) the total net assets reported on the Statement of Net Assets. These transactions are classified as operating or non-operating. Operating revenues primarily consist of student tuition and fees reported net of discounts and scholarship allowances, federal and state contracts and grants, and auxiliary sales and services revenues. Operating expenses primarily consist of salaries, supplies, services, scholarships, utilities, and depreciation.

Operating revenues increased by \$818 thousand when compared to 2006. The contributing factors to this increase were the increases in student enrollment coupled with higher tuition.

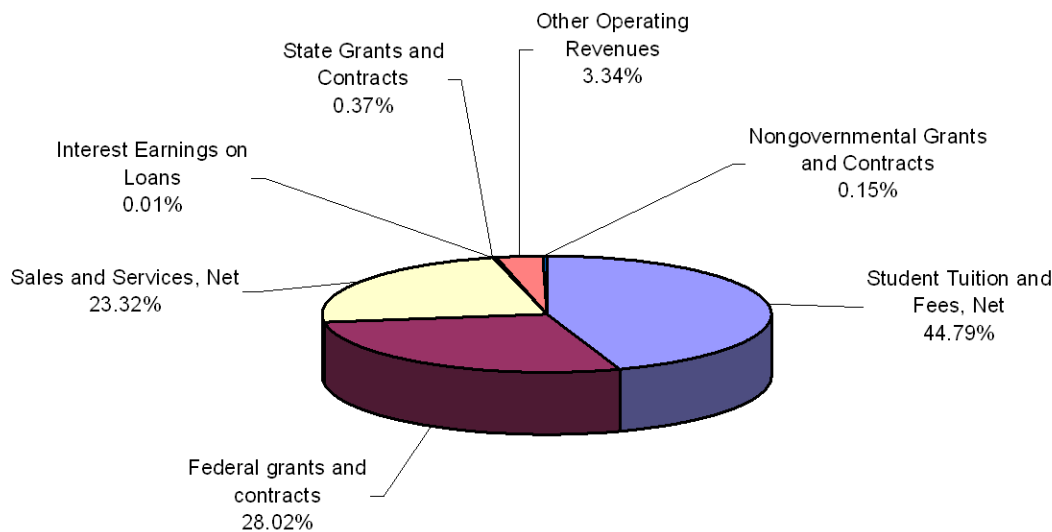
Operating expenses increased by \$10.6 million when compared to 2006. Salaries and benefits for University employees, supplies and materials, services and depreciation were the components of this increase. Contributing factors to the increase in salaries and benefits were legislative increases and new positions.

Overall, the University sustained a total operating loss of \$94.0 million in the current fiscal year, which is \$9.8 million more than the loss in fiscal year 2006. Operating losses are likely to continue due, in part, to the accounting requirement to categorize State appropriations (a major source of funding) as non-operating revenues. In 2007, State appropriations were \$74 million.

Nonoperating revenues and expenses stem from transactions that occur outside of the primary scope of the University's existence and for which no goods or services are provided. State appropriations, capital grants, non-capital grants and gifts, investment income/expenses, and capital-related interest primarily represent the nonoperating revenues and expenses.

Of the nonoperating revenues (\$87.7 million), there were noticeable changes in the State appropriations and investment income. State appropriations increased by \$12.5 million as a result of enrollment growth and special academic initiative funds. Investment income increased by \$2.7 million and is attributable to the realized and unrealized gain on sale of Endowment Investments.

Operating Revenues by Source



North Carolina Central University
Condensed Statement of Cash Flows

	<u>2007</u>	<u>2006</u>
Cash Provided (Used by)		
Operating Activities	(81,651,475)	(80,771,736)
Noncapital Financing Activities	85,717,831	71,678,986
Capital Financing Activities	(7,622,542)	(1,265,278)
Investing Activities	<u>1,494,004</u>	<u>6,208,814</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,062,182)	(4,149,214)
Cash and Cash Equivalents- Beginning of Year	<u>31,122,600</u>	<u>35,271,814</u>
Cash and Cash Equivalents - End of Year	<u><u>29,060,418</u></u>	<u><u>31,122,600</u></u>

A very useful measure of financial operations is the Statement of Cash Flows. This Statement provides the sources of cash inflows and outflows for four major activities: operating, non-capital financing, capital and related financing, and investing activities. The ending cash and cash equivalents on this Statement correspond directly with the sum of the cash and cash equivalents balances on the Statement of Net Assets.

The net cash used by operating activities shows a net outflow of funds of \$81.6 million, which is a 1% increase from 2006. The major outflows were payments to employees for services (\$82.7 million), vendors for goods and services (\$55.2 million), and students for educational assistance (\$7.9 million). The major sources of operating inflows were student tuition and fees (\$28.6 million), auxiliary sales (\$14.9 million), and federal contracts/grants (\$17.9 million).

The net cash provided by noncapital financing activities is an inflow of \$85.7 million, which is a 20% increase over 2006. State appropriations of \$74 million account for the bulk of this inflow.

Cash flows provided by capital financing activities include proceeds from capital appropriations, capital debt, grants and gifts. Capital financing uses may include purchases of capital assets and payment of interest on capital debt. Fiscal year 2007 shows a net outflow of \$7.6 from capital and related financing activities, which is a decrease from 2006.

The University has a net cash inflow from investing activities of \$1.4 million which is a decrease from 2006. This results from proceeds from sales and maturities of investments, investment income, and purchases of investments and related fees.

In summary, the cash position of the University decreased by \$2,062,182 or 6.6%.

ECONOMIC OUTLOOK

North Carolina Central University is the fastest growing institution in the University of North Carolina System. The rate of growth was at 5.5% for fall 2006. The UNC system's average rate of growth was 3.1% in fall 2006. The outlying years appear to be promising and the University expects enrollment to maintain; therefore, projected tuition and fee revenues look favorable.

There are several factors that will impact a positive economic outlook for the University. Increased support from the State, ability to attract top students, campus expansion, vibrant research funding and private gifts.

North Carolina Central University's faculty is steadily writing, applying, and receiving research grant funds to augment State funding. Research is one of three components that faculty must strive to accomplish. The Sponsored Research Office works diligently with faculty to provide ongoing training and opportunities for research. Through our dedicated faculty and staff, we will continue to fulfill our mission of serving the State, nation, and the world through teaching, research, and service.



James E. Shepard, Founder

Office of the Vice Chancellor for Financial Affairs

To Chancellor Charlie Nelms and Members of the
Board of Trustees of North Carolina Central University

I am pleased to present the Annual Financial Report of North Carolina Central University for the year ended June 30, 2007. The report contains the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. The supplemental information includes notes to the financial statements and Management's Discussion and Analysis.

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the National Association of College and University Business Officers. The objective of these statements is to present financial data in a more useful and understandable format for the readers.

Management believes the financial statements and accompanying notes discussions present fairly the financial position of the University at June 30, 2007. Management also believes that the University's system of internal controls provides reasonable assurance that assets are safeguarded and that transactions are properly recorded.

Sincerely,

Bijoy K. Sahoo

Interim Vice Chancellor for Financial Affairs

North Carolina Central University
Statement of Net Assets
June 30, 2007 (Unaudited)

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 16,645,643
Restricted Cash and Cash Equivalents	3,468,432
Restricted Short-Term Investments	2,170,110
Receivables, Net (Note 4)	11,079,766
Due from University Component Units	708,271
Inventories	603,010
Notes Receivable, Net (Note 4)	252,444
	<hr/>
Total Current Assets	34,927,676

Noncurrent Assets:

Restricted Cash and Cash Equivalents	8,946,343
Restricted Due from Primary Government	725,656
Due from State of North Carolina Component Units	18,211,751
Endowment Investments	15,669,491
Other Investments	10,036
Notes Receivable, Net (Note 4)	3,092,808
Capital Assets - Nondepreciable (Note 5)	31,354,609
Capital Assets - Depreciable, Net (Note 5)	168,191,945
	<hr/>
Total Noncurrent Assets	246,202,639

Total Assets	<hr/> 281,130,315 <hr/>
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	11,196,028
Due to Primary Government	147,152
Funds Held for Others	708,271
Unearned Revenue	385,439
Interest Payable	315,559
Long-Term Liabilities - Current Portion (Note 7)	22,155,073
	<hr/>
Total Current Liabilities	34,907,522

Noncurrent Liabilities:

Deposits Payable	401
Funds Held for Others	68,970
U. S. Government Grants Refundable	2,747,930
Long-Term Liabilities (Note 7)	13,429,573
	<hr/>

Total Noncurrent Liabilities	16,246,874
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Total Liabilities	\$ <hr/> 51,154,396 <hr/>
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North Carolina Central University
Statement of Net Assets
June 30, 2007 (Unaudited)

Page 2

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$	169,233,738
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships		4,083,068
Endowed Professorships		5,693,355
Loans		759,183
Expendable:		
Scholarships and Fellowships		3,775,909
Research		2,490,040
Endowed Professorships		2,829,805
Departmental Uses		12,476,269
Capital Projects		13,611,978
Other		78,156
Unrestricted		14,944,418
Total Net Assets	\$	229,975,919

The accompanying notes to the financial statements are an integral part of this statement.

North Carolina Central University
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2007 (Unaudited)

REVENUES

Operating Revenues:

Student Tuition and Fees, Net (Note 9)	\$	28,645,280
Sales and Services, Net (Note 9)		14,916,432
Federal Grants and Contracts		17,916,573
State and Local Grants and Contracts		236,743
Nongovernmental Grants and Contracts		93,767
Interest Earnings on Loans		8,832
Other Operating Revenues		2,134,707
		<hr/>
Total Operating Revenues		63,952,334

EXPENSES

Operating Expenses:

Salaries and Benefits		86,284,887
Supplies and Materials		23,391,811
Services		30,145,654
Scholarships and Fellowships		7,958,299
Utilities		4,160,415
Depreciation		6,020,656
		<hr/>
Total Operating Expenses		157,961,722
		<hr/>
Operating Loss		(94,009,388)

NONOPERATING REVENUES (EXPENSES)

State Appropriations		74,595,799
Noncapital Grants		8,864,680
Noncapital Gifts, Net (Note 9)		37,878
Investment Income (Net of Investment Expense of \$62,780)		4,460,939
Interest and Fees on Debt		(2,048,428)
Other Nonoperating Revenues (Expenses)		1,830,539
		<hr/>
Net Nonoperating Revenues		87,741,407
		<hr/>
Loss Before Other Revenues		(6,267,981)
Capital Appropriations		7,433,943
Capital Grants		15,957,059
Capital Gifts, Net (Note 5)		41,900
		<hr/>
Increase in Net Assets		17,164,921

NET ASSETS

Net Assets - July 1, 2006		<hr/>	212,810,998
Net Assets - June 30, 2007	\$	<hr/>	229,975,919

The accompanying notes to the financial statements are an integral part of this statement.

North Carolina Central University
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2007 (Unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 64,179,157
Payments to Employees and Fringe Benefits	(82,778,117)
Payments to Vendors and Suppliers	(55,201,757)
Payments for Scholarships and Fellowships	(7,958,299)
Loans Issued	(531,559)
Collection of Loans	449,185
Interest Earned on Loans	6,687
Other Receipts (Payments)	183,228
	<hr/>
Net Cash Provided (Used) by Operating Activities	(81,651,475)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	74,595,799
Noncapital Grants	10,249,091
Noncapital Gifts	37,878
William D. Ford Direct Lending Receipts	56,285,294
William D. Ford Direct Lending Disbursements	(56,285,294)
Related Activity Agency Disbursements	(995,476)
Other Receipts (Payments)	1,830,539
	<hr/>
Net Cash Provided (Used) by Noncapital Financing Activities	85,717,831

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

Proceeds from Capital Debt	7,433,943
State Capital Appropriations	15,843,053
Proceeds from Sale of Capital Assets	353
Acquisition and Construction of Capital Assets	(28,024,977)
Principal Paid on Capital Debt and Leases	(887,361)
Interest and Fees Paid on Capital Debt and Leases	(1,987,553)
	<hr/>
Net Cash Provided (Used) by Capital Financing and Related Financing Activities	(7,622,542)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	5,565,187
Investment Income	1,338,745
Purchase of Investments and Related Fees	(5,409,928)
	<hr/>
Net Cash Provided by Investing Activities	1,494,004
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,062,182)
Cash and Cash Equivalents - July 1, 2006	31,122,600
	<hr/>
Cash and Cash Equivalents - June 30, 2007	\$ 29,060,418

North Carolina Central University
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2007 (Unaudited)

Page 2

**RECONCILIATION OF NET OPERATING REVENUES (EXPENSES)
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Loss	\$	(94,009,388)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense		6,020,656
Allowances, Write-Offs, and Amortizations		278,389
Nonoperating Other Income (Expenses)		183,228
Receivables (Net)		443,107
Inventories		(295,396)
Accounts Payable and Accrued Liabilities		6,020,394
Due to Primary Government		36,034
Due to Federal Agencies		(481,937)
Unearned Revenue		14,259
Compensated Absences		221,553
Note Principal Repayments		449,185
Notes Issued		(531,559)
Net Cash Provided (Used) by Operating Activities	\$	<u>(81,651,475)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	\$	16,645,643
Restricted Cash and Cash Equivalents		3,468,432
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		<u>8,946,343</u>
Total Cash and Cash Equivalents - June 30, 2007	\$	<u>29,060,418</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	\$	
Assets Acquired through a Gift	\$	41,900
Change in Fair Value of Investments	\$	3,933,922

The accompanying notes to the financial statements are an integral part of this statement.

North Carolina Central University Foundations
Statement of Financial Position
June 30, 2007 (Unaudited)

	NCCU Foundation, Inc.
ASSETS	
Cash and Cash Equivalents	\$ 2,335,942
Investments	9,862,340
Cash Surrender Value of Life Insurance	35,363
Receivables, Net	1,217,844
Total Assets	13,451,489
LIABILITIES	
Accounts Payable and Accrued Expenses	226,105
Due to University and Other Foundations	708,271
Funds Held for Others	806,461
Total Liabilities	1,740,837
NET ASSETS	
Unrestricted	(345,681)
Temporarily Restricted	4,613,890
Permanently Restricted	7,442,443
Total Net Assets	\$ 11,710,652

The accompanying notes to the financial statements are an integral part of this statement.

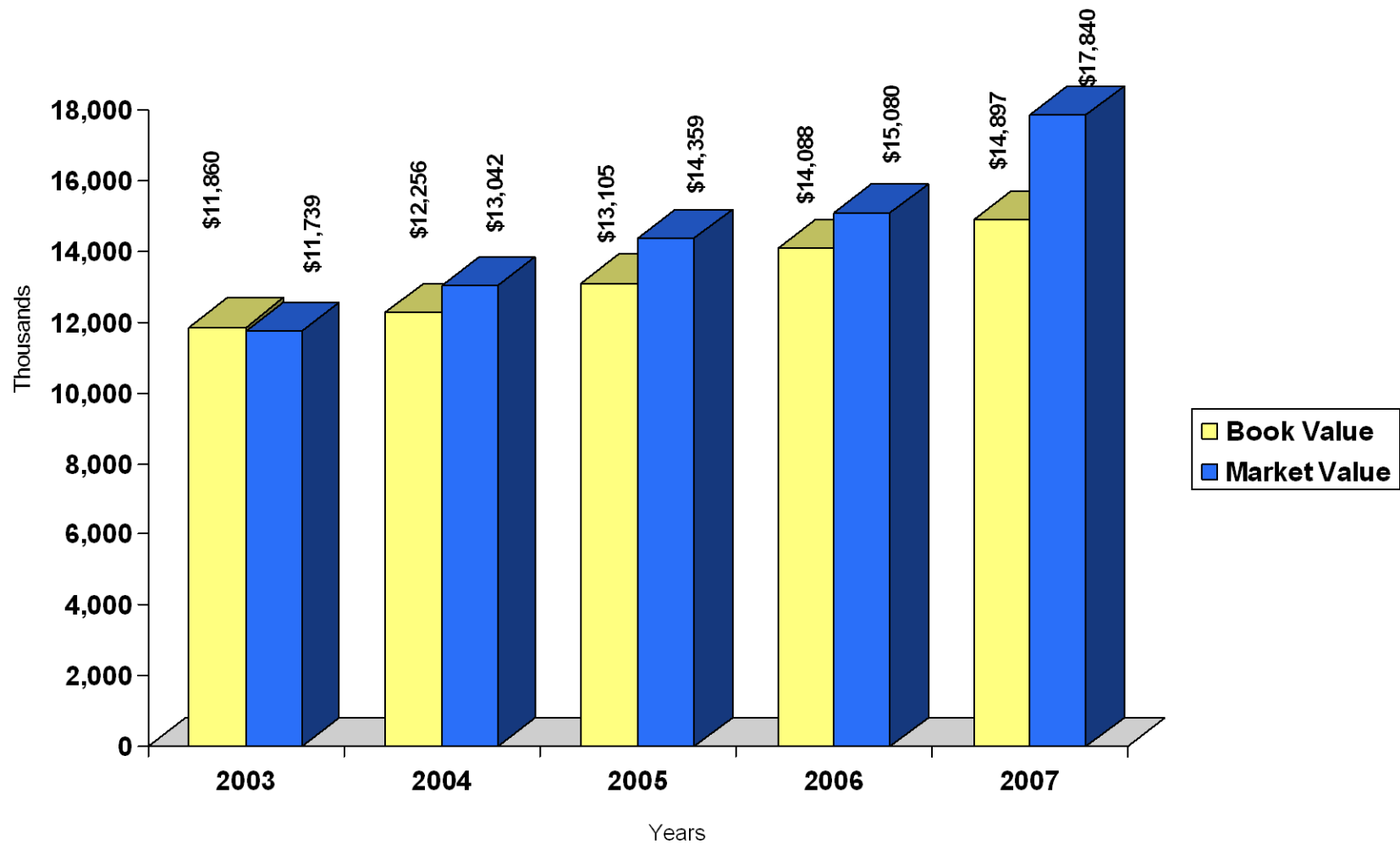
North Carolina Central University Foundations
Statement of Activities
For the Fiscal Year Ended June 30, 2007 (Unaudited)

	NCCU Foundation, Inc.
CHANGES IN UNRESTRICTED NET ASSETS	
Revenues and Gains:	\$
Contributions	1,527,286
Grant Revenues	14,664
Other Investment Income	174,292
Net Unrealized and Realized Gains on Long-Term Investments	1,065,659
Other Miscellaneous Income	12,976
	<hr/>
Total Unrestricted Revenues and Gains	2,794,877
Net Assets Released from Restrictions:	
Total Net Assets Released from Restrictions	<hr/>
	<hr/>
Total Unrestricted Revenues, Gains, and Other Support	2,794,877
	<hr/>
Expenses and Losses:	
Program A	1,167,875
	<hr/>
Total Expenses	1,167,875
	<hr/>
Loss	
	<hr/>
Total Expenses and Losses	1,167,875
	<hr/>
Increase (Decrease) in Unrestricted Net Assets	1,627,002
	<hr/>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	
Increase (Decrease) in Temporarily Restricted Net Assets	<hr/>
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CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	
Increase (Decrease) in Permanently Restricted Net Assets	<hr/>
	<hr/>
Increase (Decrease) in Net Assets	1,627,002
Net Assets at Beginning of Year	14,469,040
Restatements	(4,385,390)
	<hr/>
Net Assets at End of Year	\$ 11,710,652
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The accompanying notes to the financial statements are an integral part of this statement.

ENDOWMENT FUND

JUNE 30, 2003 - JUNE 30, 2007



ENDOWMENT FUND

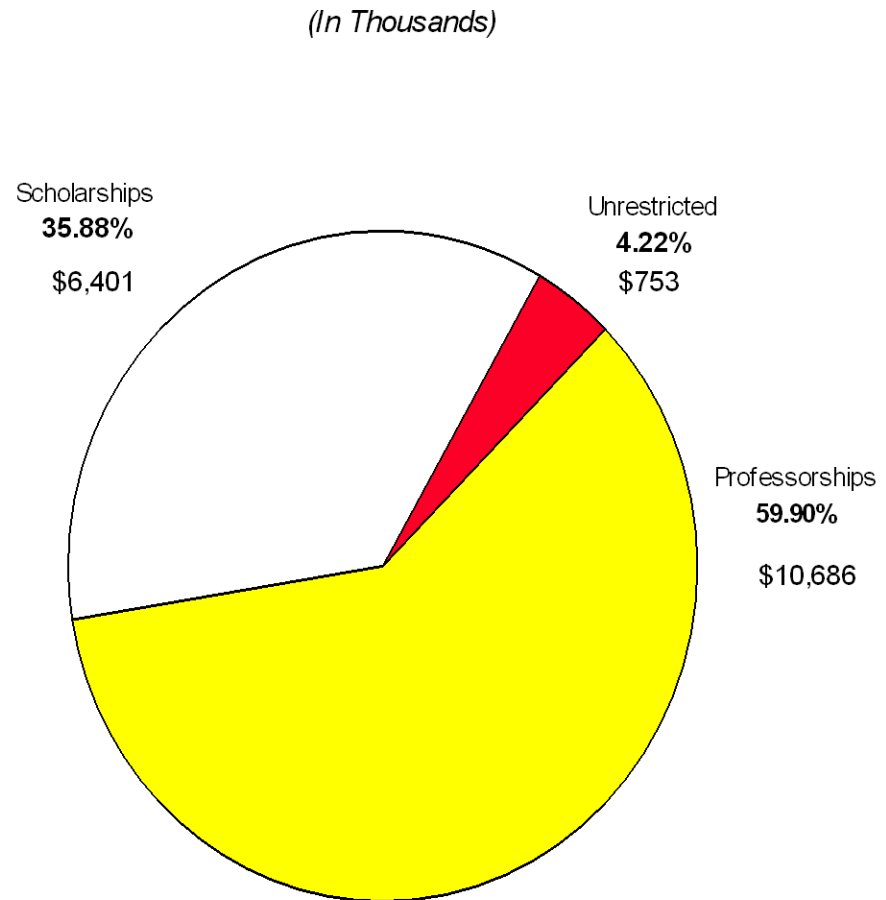
JUNE 30, 2007

Investments of the University's Endowment Fund earn income to fund professorships, scholarships and other important departmental and University needs. Of the \$17,839,601 total assets (market value) at June 30, 2007, \$10,685,504 represented professorships, \$6,400,728 represented scholarships and \$753,369 represented unrestricted endowments.

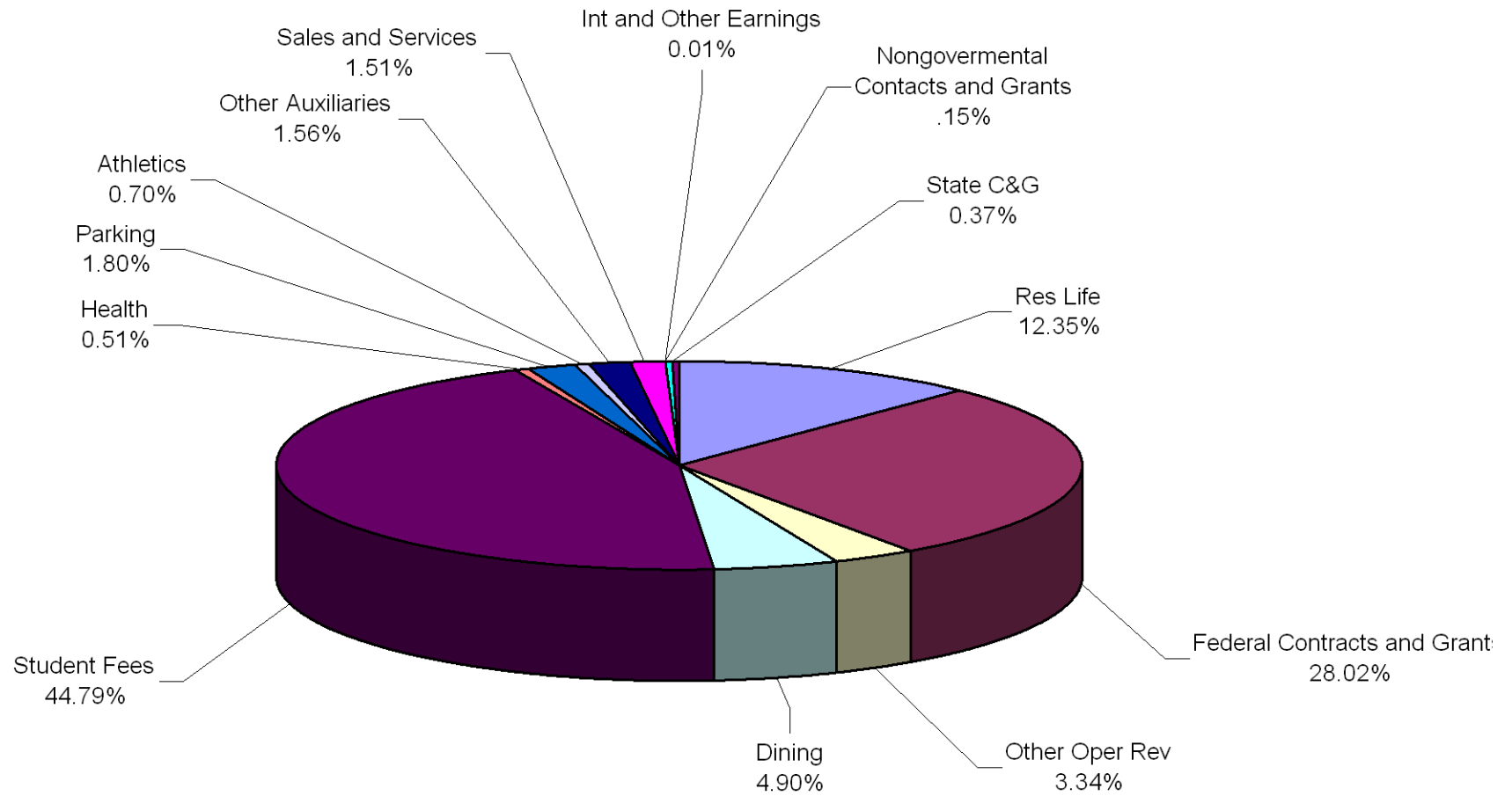
Net endowment income was \$119,667 for the fiscal year. The University expended \$144,057 for scholarships.

As of June 2003, professorship funds were managed by Piedmont Investment Advisors, LLC of North Carolina and the scholarship/professorship funds as of July 1, 2006 were managed by UNC Management Company, Inc.

Total assets of the Endowment Fund have increased from \$11,739,000 (market) at June 30, 2003 to \$17,839,601 (market) as of June 30, 2007.

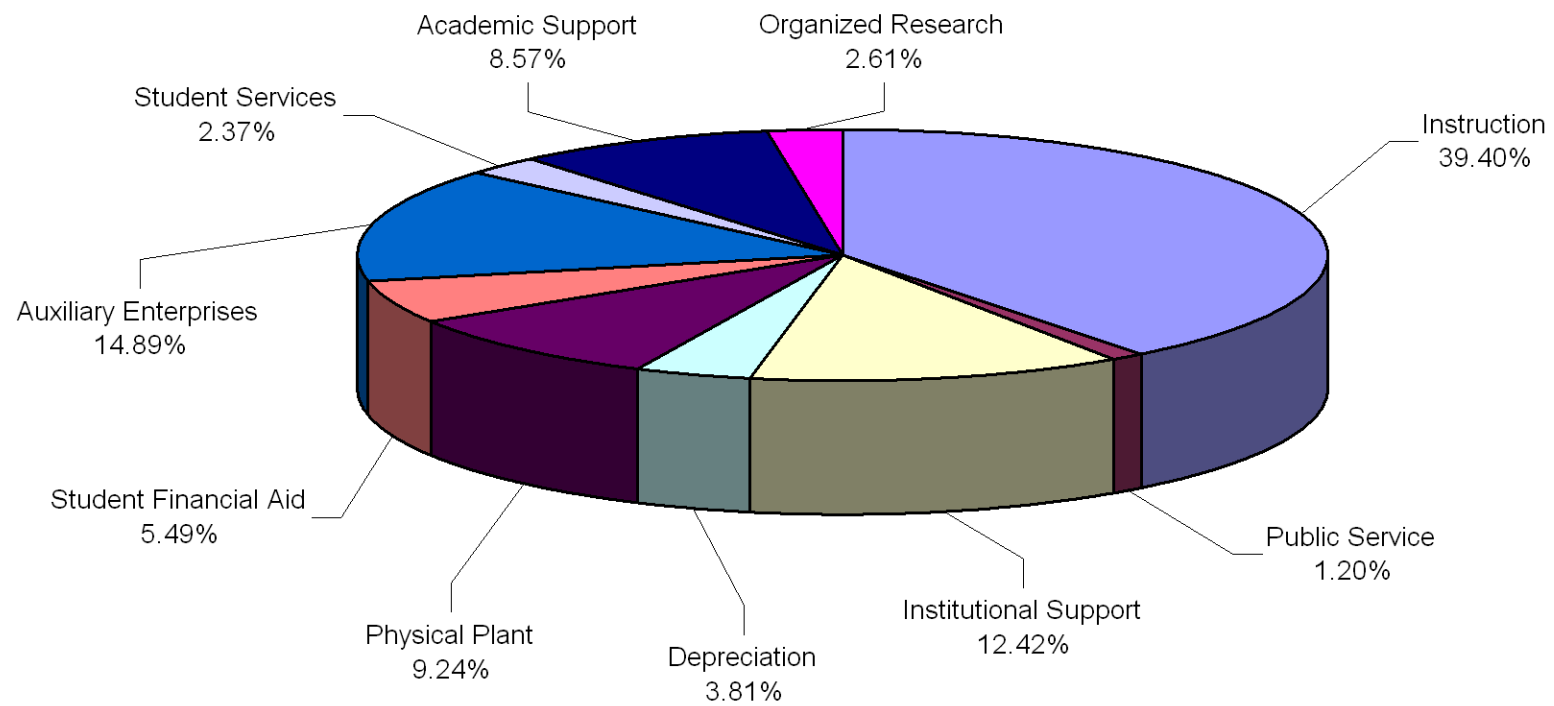


OPERATING REVENUES FOR YEAR ENDED JUNE 30, 2007



TOTAL REVENUES \$63,952,334

OPERATING EXPENDITURES BY FUNCTION FOR YEAR ENDED JUNE 30, 2007



TOTAL EXPENDITURES \$157,961,722

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. North Carolina Central University is a constituent institution of the 16-campus University of North Carolina System, which is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds belonging to the University and its component units. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the University's funds. The University's component units are either blended or discretely presented in the University's financial statements. The blended component unit, although legally separate, is, in substance, part of the University's operations and therefore, is reported as if it were part of the University. The discretely presented component unit's financial data is reported in separate financial statements because of its use of different GAAP reporting models and to emphasize its legal separateness.

Blended Component Units - Although legally separate, the NCCU Real Estate Foundation, Inc. (Real Estate Foundation), a component unit of the University, is reported as if it was part of the University.

The Real Estate Foundation is governed by a three-member board. The Real Estate Foundation's purpose is to acquire property and to construct, own, and manage residential facilities for students. Because the directors of the Real Estate Foundation are appointed by the Chancellor and the Real Estate Foundation's sole purpose is to benefit North Carolina Central University, its financial statements have been blended with those of the University.

Separate financial statements for the Real Estate Foundation may be obtained from the University Controller's Office, 1801 Fayetteville Street, Durham, NC 27707, or by calling (919)530-7432. Other related foundations and

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

similar nonprofit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

Discretely Presented Component Units – The NCCU Foundation, Inc. (NCCU Foundation) is a legally separate not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the University.

The NCCU Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The NCCU Foundation board consists of 20 members. Although the University does not control the timing or amount of receipts from the NCCU Foundation, the majority of resources or incomes thereon that the NCCU Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the NCCU Foundation can only be used by, or for the benefit of the University, the NCCU Foundation is considered a component unit of the University and is reported in separate financial statements because of the difference in its reporting model, as described below.

The NCCU Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the NCCU Foundation's financial information in the University's financial reporting entity for these differences.

During the year ended June 30, 2007, the Foundation distributed \$788,028 to the University for both restricted and unrestricted purposes. The University remitted \$147,111 in payroll deducted employee contributions and \$708,239 in other reimbursements to the NCCU Foundation. Complete financial statements for the Foundation can be obtained from the University Controller's Office, 1801 Fayetteville Street, Durham, NC 27707, or by calling (919)530-7432.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB.

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, the full scope of the University's activities

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the University does not apply FASB pronouncements issued after November 30, 1989, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

- C. Basis of Accounting** - The financial statements of the University have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Non-exchange transactions, in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange includes State appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

- D. Cash and Cash Equivalents** – This classification includes petty cash, cash on deposit with private bank accounts, money market accounts, cash on deposit with fiscal agents, and deposits held by the State Treasurer in the short-term investment fund. The short-term investment fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. Investments** - This classification includes long-term fixed income investments, equity investments, mutual funds, and money market funds held by the University. Except for money market funds, investments are accounted for at fair value, as determined by quoted market prices, or amounts determined by management if quoted market prices are not available. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

Money market funds are reported at cost, if purchased or at fair value or appraised value at date of gift, if donated.

- F. Receivables** – Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

- G. Inventories** – Inventories, consisting of expendable supplies, are valued at cost using the first-in, first-out method.
- H. Capital Assets** – Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The University capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an estimated useful life of more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for general infrastructure, 50 years for buildings, and 5 to 15 years for equipment.

Art collections are capitalized at cost or fair value at the date of donation. These collections are considered inexhaustible and are therefore not depreciated.

- I. Restricted Assets** – Unexpended proceeds of revenue bonds and unexpended capital contributions are classified as restricted assets because their use is limited by applicable bond covenants or donor/grantor agreements. These assets are also classified as noncurrent since they cannot be used for current operations. Certain other assets are classified as restricted because their use is limited by external parties or statute.
- J. Noncurrent Long-Term Liabilities** – Noncurrent long-term liabilities include principal amounts of bonds payable, capital lease obligations, and compensated absences that will not be paid within the next fiscal year.

Bonds payable are reported net of unamortized premiums or discounts and deferred losses on refunds. The University amortizes bond premiums/discounts over the life of the bonds using the straight-line method. The deferred losses on refunds are amortized over the life of the bond using the straight-line method. Issuance costs are expensed.

- K. Compensated Absences** - The University's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 (for SPA employees) and July 1 (for EPA non-faculty

employees) or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly to all full-time permanent employees as of September 30, 2002, and as of July 1, 2003. The unused portion of this leave remains available until used, notwithstanding the limitation on annual leave carried forward described above.

When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method.

There is no liability for unpaid accumulated sick leave because the University has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

L. Net Assets – The University’s net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt – This represents the University’s total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted Net Assets – Nonexpendable – Nonexpendable restricted net assets include endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

Restricted Net Assets – Expendable – Expendable restricted net assets include resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Assets – Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, royalties, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the University. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first.

M. Scholarship Discounts – Student tuition and fees revenues and certain other revenues from University charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the University and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, State, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount.

N. Revenue and Expense Recognition – The University classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the University's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, (3) certain federal, State and local grants and contracts that are essentially contracts for services, and (4) interest earned on loans. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and State appropriations that represent subsidies or gifts to the University, as well as investment income, are considered nonoperating since these are either, investing capital or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

- O. Internal Sales Activities** – Certain institutional auxiliary operations provide goods and services to University departments, as well as to its customers. These institutional auxiliary operations include activities such as Central Stores, Copy Centers, and Postal Services. In addition, the University has other miscellaneous sales and service units that operate either on a reimbursement or charge basis. All internal sales activities to University departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** – Unless specifically exempt, the University is required by *North Carolina General Statute 147-77* to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. In addition, the University of North Carolina Board of Governors, pursuant to G.S. 116-36.1, requires the University to deposit its institutional trust funds with the State Treasurer. Although specifically exempted, the University may voluntarily deposit endowment funds, special funds, revenue bond proceeds, and debt service funds with the State Treasurer. Special funds consist of moneys for intercollegiate athletics and agency funds held directly by the University.

At June 30, 2007, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$27,307,333 which represents the University's equity position in the State Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.6 years as of June 30, 2007. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

Cash on hand at June 30, 2007 was \$1,900. The carrying amount of the University's deposits not with the State Treasurer, including certificates of deposit, was \$1,751,186 and the bank balance was \$1,753,381. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. Pursuant to G.S. 116-36.1, funds received for health care services not deposited with the State Treasurer shall be fully secured in the manner as prescribed by the State Treasurer for the security of public deposits. The University does not have a deposit policy for custodial credit risk. As of June 30, 2007, the University's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ 1,611,601
Uninsured and Collateral Held by Bank	
Uninsured and Collateral Held by Pledging Bank's	
Trust Department not in University's Name	
Total	<u>\$ 1,611,601</u>

- B. Investments** - The University is authorized by The University of North Carolina Board of Governors pursuant to G.S. 116-36.2 and Section 600.2.4 of the Policy Manual of the University of North Carolina, to invest its special funds and funds received for services rendered by health care professionals in the same manner as the State Treasurer is required to invest, as discussed below.

G.S. 147-69.1(c), applicable to the State's General Fund, and G.S. 147-69.2, applicable to institutional trust funds, authorize the State Treasurer to invest in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; time deposits of specified institutions; prime quality commercial paper, and asset-backed securities with specified ratings. Also, G.S. 147-69.1(c) authorizes the following: specified bills of exchange or time drafts and corporate bonds and notes with specified ratings. G.S. 147-69.2 authorizes the following: general obligations of other states; general obligations of North Carolina local governments; and obligations of certain entities with specified ratings.

In accordance with the bond resolutions, bond proceeds and debt service funds are invested in obligations that will by their terms mature on or before the date funds are expected to be required for expenditure or withdrawal.

G.S. 116-36(e) provides that the trustees of the Endowment Fund shall be responsible for the prudent investment of the Fund in the exercise of their sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries but in compliance with any lawful

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

condition placed by the donor upon that part of the Endowment Fund to be invested.

Investments of the University's component units, The Real Estate Foundation and the NCCU Foundation, are subject to and restricted by G.S. 36B "Uniform Management of Institutional Funds Act" (UMIFA) and any requirements placed on them by contract or donor agreements.

Investments of various funds may be pooled unless prohibited by statute or by terms of the gift or contract. The University utilizes investment pools to manage investments and distribute investment income. Purchases in the investments funds are allowed at the beginning of each month. Fund ownership is measured based on the participating funds purchases and accumulated gain/loss investment. The investment strategy, including the selection of investment managers, is based on the directives of the University's Endowment Board.

Interest Rate Risk: Interest rate risk is the risk the University may face should interest rate variances affect the fair value of investments. The University does not have a formal policy that addresses interest rate risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal policy that addresses credit risk.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a formal policy for custodial credit risk.

Non-Pooled Investments - The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2007, for the University's non-pooled investments. Interest rate risk is defined by GASB statement No.40 as the risk a government may face should interest rate variances affect the fair value of investments. The University does not have a formal investment policy that addresses interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

Non-Pooled Investments

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10
Debt Securities	\$	\$	\$	\$	\$
Money Market Mutual Funds	88,432	88,432			
	<u>\$ 88,432</u>	<u>\$ 88,432</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Other Securities					
UNC Investment Fund	\$ 13,312,024				
International Mutual Funds	10,036				
Domestic Stocks	<u>4,439,145</u>				
Total Non-Pooled Investments	<u>\$ 17,849,637</u>				

At June 30, 2007, the University's non-pooled investments had the following credit quality distribution for securities with credit exposure:

	Value	Aaa	Aa	A	Baa	below	Unrated
U.S. Agencies	\$	\$	\$	\$	\$	\$	\$
Money Market Mutual Funds	88,432						88,432
	<u>\$ 88,432</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 88,432</u>

Rating Agency: Moodys/S&P/Fitch

At June 30, 2007, the University did not have any investments requiring disclosure of custodial credit risk.

NOTE 3 - ENDOWMENT INVESTMENTS

Investments of the University's endowment funds are separately invested and pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds.

Investment return of the University's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the University's endowment funds are determined by 5.5% of the five year moving average of the fund's market value. If current year earnings do not meet the payout requirements, the University uses accumulated income and appreciation to make up the difference. Expenditures in excess of the payout are authorized by the University's Board of Trustees of the Endowment Fund. At June 30, 2007, net appreciation of \$ 5,906,958 was available to be spent, of which \$2,514,538 was restricted to specific purposes.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

NOTE 4 - RECEIVABLES

Receivables at June 30, 2007, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 6,689,959	\$ 1,268,574	\$ 5,421,385
Accounts	849,473		849,473
Intergovernmental	4,481,718		4,481,718
Pledges	32,750		32,750
Interest on Loans	108,561		108,561
Other	185,879		185,879
Total Current Receivables	<u>\$ 12,348,340</u>	<u>\$ 1,268,574</u>	<u>\$ 11,079,766</u>
Noncurrent Receivables:			
Pledges	<u>\$</u>	<u>\$</u>	<u>\$</u>
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	\$ 531,560	\$ 279,116	\$ 252,444
Institutional Student Loan Programs			
Total Notes Receivable - Current	<u>\$ 531,560</u>	<u>\$ 279,116</u>	<u>\$ 252,444</u>
Notes Receivable - Noncurrent:			
Federal Loan Programs	\$ 6,289,612	\$ 3,196,804	\$ 3,092,808
Institutional Student Loan Programs			
Total Notes Receivable - Noncurrent	<u>\$ 6,289,612</u>	<u>\$ 3,196,804</u>	<u>\$ 3,092,808</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2007, is presented as follows:

	Balance July 1, 2006 (as restated)	Increases	Decreases	Balance June 30, 2007
Capital Assets, Nondepreciable:				
Land	\$ 5,332,926	\$ 800	\$	\$ 5,333,726
Art, Literature, and Artifacts	623,940	41,900		665,840
Construction in Progress	1,159,702	24,195,341		25,355,043
Total Capital Assets, Nondepreciable	7,116,568	24,238,041		31,354,609
Capital Assets, Depreciable:				
Buildings	210,568,751		3,292,046	207,276,705
Machinery and Equipment	17,332,349	5,411,567		22,743,916
Art, Literature, and Artifacts				
General Infrastructure	14,250,128	32,700		14,282,828
Intangible				
Total Capital Assets, Depreciable	242,151,228	5,444,267	3,292,046	244,303,449
Less Accumulated Depreciation/Amortization for:				
Buildings	55,139,169	3,793,812	1,092,757	57,840,224
Machinery and Equipment	8,379,688	1,627,993		10,007,681
Art, Literature, and Artifacts				
General Infrastructure	7,664,748	598,851		8,263,599
Intangible				
Total Accumulated Depreciation	71,183,605	6,020,656	1,092,757	76,111,504
Total Capital Assets, Depreciable, Net	170,967,623	(576,389)	2,199,289	168,191,945
Capital Assets, Net	\$ 178,084,191	\$ 23,661,652	\$ 2,199,289	\$ 199,546,554

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2007, were as follows:

	Amount
Accounts Payable	\$ 7,069,681
Accrued Payroll	2,377,463
Contract Retainage	1,123,678
Intergovernmental Payables	608,543
Other	16,663
Total Accounts Payable and Accrued Liabilities	\$ 11,196,028

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

NOTE 7 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2007, are presented as follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Current Portion
Revenue Bonds Payable	\$ 31,720,000	\$	\$ 800,000	\$ 30,920,000	\$ 21,480,000
Add/Deduct Premium/Discount	(216,710)		(8,200)	(208,510)	
Deduct Deferred Charge on Refunding	(951,094)		(56,782)	(894,312)	
Total Bonds and Certificates of Participation Payable	30,552,196		735,018	29,817,178	21,480,000
Capital Leases Payable	547,929		87,361	460,568	92,586
Compensated Absences	5,085,347	3,430,989	3,209,436	5,306,900	582,487
Total Long-Term Liabilities	<u>\$ 36,185,472</u>	<u>\$ 3,430,989</u>	<u>\$ 4,031,815</u>	<u>\$ 35,584,646</u>	<u>\$ 22,155,073</u>

Additional information regarding capital lease obligations is included in Note 8.

B. Bonds Payable - The University was indebted for bonds payable for the purposes shown in the following table:

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2007	Accretion on Capital Appreciation Bonds	Principal Outstanding June 30, 2007
Stadium System Revenue Bonds	1998	4.4% to 5.0%	04/01/2023	\$ 3,320,000	\$ 1,045,000	\$	\$ 2,275,000
NCCU Real Estate Foundation, Inc. Housing System Student Housing Facilities Revenue Bonds	2003A *	Variable	10/01/2034	21,475,000	500,000		20,975,000
The University of North Carolina System Pool Revenue Bonds	2004 B	3.0% to 5.0%	04/01/2023	8,670,000	1,000,000		7,670,000
Total Bonds Payable (principal only)				<u>\$ 33,465,000</u>	<u>\$ 2,545,000</u>	<u>\$</u>	
Less: Unamortized Loss on Refunding							(894,312)
Less: Unamortized Discount							(208,510)
Plus: Unamortized Premium							
Total Bonds Payable and Certificates of Participation							<u>\$ 29,817,178</u>

* For variable rate debt, interest rates in effect at June 30, 2007 are included. For variable rate debt with interest rate swaps, the synthetic fixed rates are included.

C. Demand Bonds – Included in bonds payable are several variable rate demand bond issues. Demand bonds are securities that contain a “put” feature that allows bondholders to demand payment before the maturity of the debt upon proper notice to the University’s remarketing or paying agents.

With regards to the following demand bonds, the University has not entered into take out agreements, which would convert the demand bonds not successfully remarketed into another form of long-term debt.

North Carolina Central University – Revenue Bonds Series 2003A and 2003B: In October of 2003, the North Carolina Capital Facilities Finance Agency issued Student Housing Facilities Revenue Demand Bonds (\$21,475,000 Variable Rate Revenue Demand Bonds, Series 2003A) that have a maturity date of October 1, 2034 and October 1, 2035, respectively. The issuer, North Carolina Capital Facilities Finance Agency, loaned the proceeds of the Series 2003 Bonds to the NCCU Real Estate Foundation, Inc. (Foundation). The Foundation used the proceeds to finance the costs of building a student housing facility at North Carolina Central University, to fund a debt service reserve fund for the 2003A Bonds, to pay a portion of the interest on the bonds during construction of the project, and to pay certain costs of issuance of the bonds. The 2003A Bonds are subject to mandatory sinking fund redemption at the principal amount on the interest payment dates.

The Student Housing Facilities Revenue Demand Bonds (Series 2003) has an Irrevocable Letter of Credit (LOC) for \$21,819,518. The LOC is to secure the payment of the principal and purchase price of interest on the Series 2003 Bonds. The LOC was issued by Wachovia Bank, N.A and expired on October 15, 2006. The LOC may be extended by request from the Foundation by delivering a notice of extension to the Trustee with a new expiration date. At June 30, 2007 the LOC rate for the bonds was 1.40% and the total amount drawn on it was \$1,077,512.

The Foundation paid Wachovia Bank, N.A. a commitment fee of \$109,098 for the letter of credit on the date the bonds were issued. Additionally, the Foundation paid credit facility fees in the amount of \$348,621 during the fiscal year. If the foundation terminates the letter of credit on or before December 31, 2007, then the Foundation must pay a termination fee of \$25,000. The Bonds are not under a take out agreement; however, in the event of termination 100% of the unpaid principal will be due and payable plus any unpaid and accrued interest.

Under the LOC agreement, the proceeds of each drawing under the LOC to pay the portion of the purchase price of Series 2003 bonds allocable to principal will constitute a tender advance and must be reimbursed as

provided in the agreement. The Foundation is required to repay each tender advance to Wachovia Bank, N.A. plus an interest rate of Prime plus 1.0%. The amount of any tender advance made is repaid based on the earliest to occur of the date the credit provider bonds purchased pursuant to such tender advances are remarketed, the close of business on the date that is 180 days after the tender was made and/or the termination date.

The Student Housing Facilities Revenue Demand Bonds (Series 2003) has remarketing fees. The remarketing fee is an upfront charge to reset the interest rates on a weekly basis. The remarketing agent is Wachovia Bank, N.A. for the Series 2003A Bonds and Wachovia Capital Markets, LLC for the Series 2003B Bonds. At June 30, 2007, the remarketing fee rate for the bonds was 0.125%. The Foundation's remarketing fee as of June 2008 through June 2037 is listed in SWAPS 1 and 2 Schedule below.

Interest Rate Swaps:

Objective: As a means to lower its borrowing costs and increase its savings, when compared against fixed-rate refunding bonds at the time of issuance in October 2003, effective March 24, 2004, the Foundation entered into two interest rate swaps with Wachovia Bank, N.A., in connection with its \$21,475,000 Variable Rate Revenue Demand Bonds, Series 2003A. The intention of the swap agreements was to effectively change the interest rate on the bonds to a synthetic fixed rate of 3.515% (Swap 1) and 2.710% (Swap 2).

Terms: The bonds and the related swap agreements mature on October 1, 2034, (Swap 1) and April 1, 2009, (Swap 2) and the combined swaps' notional amount of \$17,180,000 hedges 80% of the \$21,475,000 variable-rate bonds. The combined notional value of the swaps and the combined principal amount of the associated debt is declining. Under the swaps, the Foundation pays Wachovia Bank, N.A. a fixed rate of 3.515% (Swap 1) and 2.710% (Swap 2) and receives a variable rate at 70% and 100% of LIBOR and BMA, respectively. The bonds' variable-rate coupons are closely associated with the BMA.

Fair value: Because interest rates have risen since execution of the swaps, the swaps have positive fair values of \$321,653 (Swap 1) and \$134,361 (Swap 2) as of June 30, 2007. The swaps' positive fair value may be countered by an increase in total interest payments required under the variable rate bonds, creating a higher synthetic interest rate. Because the coupons on the Foundation's variable-rate bond are adjusted every seven days to changing interest rates, the bonds do not have a corresponding fair value increase. The mark-to-market valuations were established by market quotations from Wachovia Bank, N.A. representing estimates of the amounts that would be paid upon terminating the transactions.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

Credit risk: As of June 30, 2007, the Foundation was exposed to credit risk because the swaps had a positive fair value. The exposed credit risk is in the amount of the derivatives' aggregate fair value. Swap 1 and Swap 2's counterparty (Wachovia Bank, N.A.) was rated Aa1 by Moody's, AA- by S&P and AA- by Fitch.

Basis risk and Termination risk: Swap 1 exposes the Foundation to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate of 3.515% and the actual rate of 3.551% (Swap 1) at June 30, 2007. As of June 30, 2007, the rate on the Foundation's Bonds was 3.760%, whereas 70% of LIBOR was 3.734%. Swap 2 exposes the Foundation to basis risk should the actual rate on the Foundation's Bond vary from the BMA. The effect of this difference in basis is indicated by the difference between the intended synthetic rate of 2.710% and the actual rate of 2.740% (Swap 2) at June 30, 2007. As of June 30, 2007, the rate on the Foundation's Bonds was 3.760%, whereas the BMA index was 3.730%. Termination could result in the Foundation being required to make an unanticipated termination payment. The swap agreements are terminated if the Foundation or Wachovia Bank, N.A. fails to perform under the terms of the contract.

Market-access risk/Roll-over risk: Swap 1 and Swap 2 expose the Foundation to market-access and rollover risk when the swaps mature on October 1, 2034 and April 1, 2009 respectively. When Swap 1 and Swap 2 mature, the interest rate on the underlying debt will return to a variable rate.

Swap Payments and Associated Debt: As rates vary, variable-rate debt and net swap payments will vary. As of June 30, 2007, debt service requirements of the University's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their terms were as follows:

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

SWAPS 1 & 2

Fiscal Year Ending June 30	Variable-Rate Bond			Interest Rate		Total
	Principal	Interest	Letter of Credit	Remarketing	Swaps, Net	
2008	325,000.00	783,256.77	291,638.16	26,039.12	(102,123.57)	1,323,810.48
2009	345,000.00	768,316.39	286,075.25	25,542.43	(79,756.40)	1,345,177.67
2010	365,000.00	754,754.06	281,025.45	25,091.56	(16,781.23)	1,409,089.84
2011	385,000.00	740,438.19	275,695.07	24,615.63	(16,462.93)	1,409,285.96
2012	405,000.00	727,345.55	270,820.15	24,180.37	(16,217.64)	1,411,128.43
2013-2017	2,405,000.00	3,370,189.94	1,254,857.95	112,040.89	(74,968.31)	7,067,120.47
2018-2022	3,155,000.00	2,842,241.55	1,058,281.43	94,489.41	(63,118.95)	7,086,893.44
2023-2027	4,135,000.00	2,150,262.19	800,629.54	71,484.78	(23,778.46)	7,133,598.05
2028-2032	5,420,000.00	1,243,371.35	462,957.42	41,335.48		7,167,664.25
2033-2037	4,035,000.00	195,999.48	72,978.54	6,515.95		4,310,493.97
Total	\$ 20,975,000.00	\$ 13,576,175.47	\$ 5,054,958.96	\$ 451,335.62	\$ (393,207.49)	\$ 39,664,262.56

D. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2007, are as follows:

Fiscal Year	Annual Requirements						
	Revenue Bonds Payable			Certificates of Participation		Notes Payable	
	Principal	Interest	Interest Rate Swaps, Net	Principal	Interest	Principal	Interest
2008	\$ 830,000	\$ 1,524,172	\$ (102,124)	\$	\$	\$	\$
2009	800,000	1,485,697	(79,756)				
2010	835,000	1,451,559	(16,781)				
2011	880,000	1,412,136	(16,463)				
2012	915,000	1,373,304	(16,218)				
2013-2017	5,340,000	6,148,451	(74,968)				
2018-2022	6,880,000	4,666,612	(63,119)				
2023-2027	4,985,000	3,058,377	(23,778)				
2028-2032	5,420,000	1,747,664					
2033-2037	4,035,000	275,494					
Total Requirements	\$ 30,920,000	\$ 23,143,466	\$ (393,207)	\$	\$	\$	\$

Interest on the variable rate University of North Carolina System Pool Revenue Bonds is calculated at 3% to 5% at June 30, 2007.

Interest on the variable rate Stadium Revenue Bonds is calculated at 4.5% to 5% at June 30, 2007.

Interest on the variable rate Student Housing Facilities Revenue Bonds is calculated at 4.5% to 5% at June 30, 2007.

This Schedule also includes the debt service requirements for debt associated with interest rate swaps. More detailed information about interest rate swaps is presented in Note 7C.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

- E. Bond Defeasance** - The University has extinguished long-term debt obligations by the issuance of new long-term debt instruments as follows:

Housing Revenue: On March 31, 2004, the University defeased \$7,690,000 of outstanding Housing Revenue Bonds, Series 1996 (original amount \$8,890,000). Securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's Statement of Net Assets. At June 30, 2007, the outstanding balance of the defeased Housing Revenue Series 1996 bonds was \$6,950,00.

NOTE 8 - LEASE OBLIGATIONS

- A. Capital Lease Obligations** - Capital lease obligations relating to motor vehicles are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2007:

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$ 114,840
2009	381,056
Total Minimum Lease Payments	<u>495,896</u>
Amount Representing Interest (6% Rate of Interest)	<u>35,327</u>
Present Value of Future Lease Payments	<u>\$ 460,569</u>

Machinery and equipment acquired under capital lease amounted to \$695,486 at June 30, 2007.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

B. Operating Lease Obligations – Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2007:

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$ 14,458
2009	12,469
Total Minimum Lease Payments	<u>\$ 26,927</u>

Rental expense for all operating leases during the year was \$4,346,753.

NOTE 9 - REVENUES

A summary of eliminations and allowances by revenue classification and revenues pledged as security for revenue bonds is presented as follows:

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues	Revenues Pledged as Security for Debt
Operating Revenues:						
Student Tuition and Fees	\$ 36,593,267	\$	\$ 7,843,759	\$ 104,228	\$ 28,645,280	\$ 521,480 (A)
Sales and Services:						
Sales and Services of Auxiliary Enterprises:						
Residential Life	\$ 9,707,219	\$ 105,270	\$ 1,702,241	\$ (5,592)	\$ 7,905,300	\$
Dining	3,690,616	13,430	806,433		2,870,753	
Student Union Services	1,279,412	7,430	275,504		996,478	
Health, Physical Education, and Recreation Services	421,256	2,450	91,229		327,577	
Bookstore	247,111	0			247,111	
Parking	701,307	565			700,742	
Athletic	340,639		73,771		266,868	
Other	1,104,075	503,545			600,530	
Sales and Services of Education and Related Activities	1,215,799	88,298		126,428	(126,428)	
	1,127,501				1,127,501	
Total Sales and Services	<u>\$ 18,707,434</u>	<u>\$ 720,988</u>	<u>\$ 2,949,178</u>	<u>\$ 120,836</u>	<u>\$ 14,916,432</u>	<u>\$</u>
Capital Gifts	<u>\$ 41,900</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 41,900</u>	<u>\$</u>

Revenue Bonds Secured by Pledged Revenues:

(A) Stadium System

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

NOTE 10 - OPERATING EXPENSES BY FUNCTION

The University's operating expenses by functional classification are presented as follows:

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 49,380,307	\$ 7,346,646	\$ 5,515,120	\$	\$ 198	\$	\$ 62,242,271
Research	2,489,776	785,480	849,353				4,124,609
Public Service	1,064,886	115,830	722,623		40		1,903,379
Academic Support	7,774,305	4,164,440	1,591,860				13,530,605
Student Services	2,467,613	418,223	862,062				3,747,898
Institutional Support	10,724,348	3,400,445	5,449,488		37,153		19,611,434
Operations and Maintenance of Plant	4,120,640	4,126,375	2,833,769		3,511,528		14,592,312
Student Financial Aid	698,108		15,587	7,958,299			8,671,994
Auxiliary Enterprises	7,564,904	3,034,372	12,305,792		611,496		23,516,564
Independent Operations							
Depreciation						6,020,656	6,020,656
Total Operating Expenses	\$ 86,284,887	\$ 23,391,811	\$ 30,145,654	\$ 7,958,299	\$ 4,160,415	\$ 6,020,656	\$ 157,961,722

NOTE 11 - PENSION PLANS

- A. Retirement Plans** - Each permanent full-time employee, as a condition of employment, is a member of either the Teachers' and State Employees' Retirement System or the Optional Retirement Program. Eligible employees can elect to participate in the Optional Retirement Program at the time of employment; otherwise they are automatically enrolled in the Teachers' and State Employees' Retirement System.

The Teachers' and State Employees' Retirement System is a cost sharing multiple-employer defined benefit pension plan established by the State to provide pension benefits for employees of the State, its component units and local boards of education. The plan is administered by the North Carolina State Treasurer.

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2007, these rates were set at 2.66% of covered payroll for employers and 6% of covered payroll for members.

For the year ended June 30, 2007, the University had a total payroll of \$68,325,278 of which \$52,133,525 was covered under the Teachers' and

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$3,128,012 and \$1,219,924 respectively. The University made 100% of its annual required contributions for the years ended June 30, 2007, 2006, and 2005, which were \$1,219,924, \$1,060,206 and \$878,108 respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

The Optional Retirement Program (Program) is a defined contribution retirement plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Administrators and eligible faculty of the University may join the Program instead of the Teachers' and State Employees' Retirement System. The Board of Governors of The University of North Carolina is responsible for the administration of the Program and designates the companies authorized to offer investment products. The Board has authorized the following carriers: Teachers' Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF), Lincoln Life Insurance Company, Variable Annuity Life Insurance Company (VALIC), and Fidelity Investments. Participants may elect to allocate their contributions and the University contributions to the carrier of their choice. Each carrier offers a variety of investment funds, including both fixed and variable account investment options and mutual funds.

Participants in the Program are immediately vested in the value of employee contributions. The value of employer contributions is vested after five years of participation in the Program. Participants become eligible to receive distributions when they terminate employment or retire.

Participant eligibility and contributory requirements are established by General Statute 135-5.1. Employer and member contribution rates are set each year by the North Carolina General Assembly. For the year ended June 30, 2007, these rates were set at 6.84% of covered payroll for employers and 6% of covered payroll for members. The University assumes no liability other than its contribution.

For the year ended June 30, 2007, the University had a total payroll of \$68,325,278 of which \$16,191,753 was covered under the Optional Retirement Program. Total employee and employer contributions for pension benefits for the year were \$971,505 and \$1,107,516 respectively.

B. Deferred Compensation and Supplemental Retirement Income Plans - IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the University. The voluntary contributions by employees amounted to \$137,182 for the year ended June 30, 2007.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the University except for a 5% employer contribution for the University's law enforcement officers, which are mandated under General Statute 143-166.30(e). Total employer contributions on behalf of University law enforcement officers for the year ended June 30, 2007, were \$15,315. The voluntary contributions by employees amounted to \$306,314 for the year ended June 30, 2007.

IRC Section 403(b) and 403(b)(7) Plans - Eligible University employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of universities and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the University. The voluntary contributions by employees amounted to \$1,067,472 for the year ended June 30, 2007.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Care for Long-Term Disability Beneficiaries and Retirees** - The University participates in State-administered programs that provide postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System or the Optional Retirement Program. These benefits were established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The University contributed 3.8% of the covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program for these health care benefits. For the fiscal year ended June 30, 2007, the University's total contribution to the Plan was \$2,596,361. The University assumes no liability for retiree health care benefits provided by the programs other than its required contribution. Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*.
- B. Disability Income** - The University participates in the Disability Income Plan of North Carolina (DIPNC). Established by Chapter 135, Article 6, of the General Statutes, DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year term cost method. The University contributes .52% of covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program to the DIPNC. For the year ended June 30, 2007, the University's total contribution to the DIPNC was \$355,291. The University assumes no liability for long-term disability benefits under the Plan other than its contribution. Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

NOTE 13 - RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Tort claims of up to \$500,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$5,000,000 via contract with a private insurance company. The University pays the premium, based on a composite rate, directly to the private insurer.

The University is required to maintain fire and lightning coverage on all State-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to the University for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. Losses covered by the Fund are subject to a \$500 per occurrence deductible. The University also purchased through the Fund extended coverage, vandalism and "all risk" for certain buildings and contents.

All State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses occurring in-State are \$500,000 per claim and \$5,000,000 per occurrence and out-of-State are \$1,000,000 per claim and \$5,000,000 per occurrence. The University pays premiums to the North Carolina Department of Insurance for the coverage.

The University is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. Universities are charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence with a \$50,000 deductible and a 10% participation in each loss above the deductible.

The University purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance and the State's Agent of Record. Examples of insurance policies purchased include, but are not limited to fine arts, boiler and machinery, medical professional liability, athletic accident, excess liability, university internship and study abroad health insurance.

University employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a pension and other employee benefit trust fund of the State of North Carolina. The Plan has contracted with third parties to process claims.

The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. When an employee is injured, the University's primary responsibility is to arrange for and provide the necessary treatment for work related injury. The University is responsible for paying medical benefits

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

and compensation in accordance with the North Carolina Workers' Compensation Act. The University is self-insured for workers' compensation.

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year.

Additional details on the State-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

- A. Commitments** - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$18,189,706 at June 30, 2007.
- B. Pending Litigation and Claims** – The University is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. University management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the University.

NOTE 15 - NET ASSET RESTATEMENT(S)

As of July 1, 2006, net assets as previously reported, was restated as follows:

	Amount
July 1, 2006 Net Assets as Previously Reported	\$ 215,411,020
Restatements: (Audit Adjustments)	(2,600,022)
July 1, 2006 Net Assets as Restated	<u>\$ 212,810,998</u>

NCCU's Mission

North Carolina Central University is a comprehensive university offering programs at the baccalaureate, master's, professional and selected doctoral levels. It is the nation's first public liberal arts institution founded for African Americans. The university maintains a strong liberal arts tradition and a commitment to academic excellence in a diverse educational and cultural environment. It seeks to encourage intellectual productivity and to enhance the academic and professional skills of its students and faculty.

The mission of the university is to prepare students academically and professionally to become leaders prepared to advance the consciousness of social responsibility in a diverse, global society. The university will serve its traditional clientele of African American students; it will also expand its commitment to meet the educational needs of a student body that is diverse in race and other socioeconomic attributes.

Teaching, supported by research, is the primary focus of the university. As a part of that focus, the university encourages its faculty to pursue intellectual development and rewards effective teaching and research. The university recognizes, however, the mutually reinforcing impact of scholarship and service on effective teaching and learning. North Carolina Central University, therefore, encourages and expects faculty and students to engage in scholarly, creative, and service activities, which benefit the community.

NCCU's Vision

Recognized as one of the nation's leading institutions for academic excellence in a diverse cultural and educational environment.

NCCU's Six Core Values

- Excellence in Teaching, Research, Scholarship, and Creativity
- Access to Education and Effective Development Opportunities
- Promotion of Citizenship, Service, and Social Justice
- Appreciation of and Respect for Diverse Perspectives
- Superb Customer Service
- Commitment to Life-Long Learning

